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SOUTH DESOTO WATER SYSTEM, INC.

CONVERSE, LOUISIANA

FINANCIAL STATEMENTS

DECEMBER 31, 2007

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/11/08

Marsha O. Millican  
Certified Public Accountant  
Shreveport, Louisiana

SOUTH DESOTO WATER SYSTEM, INC.

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**Marsha O. Millican**  
**CERTIFIED PUBLIC ACCOUNTANT**

Board of Directors  
South DeSoto Water System, Inc.  
Converse, Louisiana

I have compiled the accompanying statement of financial position of South DeSoto Water System, Inc. as of December 31, 2007, and the related statements of activities and changes in net assets, cash flows, and supplemental information for the year then ended, in accordance with statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. I have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the modified cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the System's assets, liabilities, net assets, revenues, and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*Marsha O. Millican*

Certified Public Accountant  
May 19, 2008

SOUTH DESOTO WATER SYSTEM, INC.

Statement of Financial Position

December 31, 2007

ASSETS

Cash and cash equivalents	\$ 57,023
Accounts receivable	2,770
Fixed assets - net of accumulated depreciation of \$382,323	<u>1,194,480</u>
Total assets	<u>\$1,254,273</u>

LIABILITIES

Accounts payable	2,666
Notes payable	<u>250,625</u>
Total liabilities	<u>253,291</u>

NET ASSETS

Restricted for Construction	10,069
Unrestricted	<u>990,913</u>
Total net assets	<u>1,000,982</u>
Total liabilities and net assets	<u>\$1,254,273</u>

See accountant's compilation report.

SOUTH DESOTO WATER SYSTEM, INC.

Statement of Activities

Year Ended December 31, 2007

UNRESTRICTED NET ASSETS

REVENUE:

Water revenue	\$ 75,030
Miscellaneous	<u>3,521</u>
Total Revenue	<u>78,551</u>

EXPENSES:

Program services	90,561
Management and general	<u>6,064</u>

Total Expenses	<u>96,625</u>
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Decrease in net assets before other financing resources (uses)	( 18,074)
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OTHER FINANCING SOURCES (USES):

Grant proceeds	72,075
Interest expense	<u>( 13,857)</u>

Increase in net assets	40,144
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NET ASSETS AT BEGINNING OF YEAR	<u>960,838</u>
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NET ASSETS AT END OF YEAR	<u><u>\$1,000,982</u></u>
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See accountant's compilation report.

SOUTH DESOTO WATER SYSTEM, INC.

Statement of Cash Flows

For the Year Ended December 31, 2007

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets before other financing sources	\$( 18,074)
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	46,202
Changes in operating assets and liabilities:	
Increase in receivables	( 191)
Decrease in grant receivables	38,688
Decrease in construction payable	( 42,895)
Increase in accounts payable	<u>2,001</u>
Total adjustments	<u>43,805</u>
Net cash provided by operating activities	25,731
Cash flows from investing activities	
Proceeds from grants	72,075
Capital expenditures	( 87,632)
Cash flows from financing activities	
Principal payments on debt	( 4,467)
Interest payments on debt	<u>( 13,857)</u>
Net (decrease) in cash	( 8,150)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>65,173</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 57,023</u>

See accountant's compilation report.

SOUTH DESOTO WATER SYSTEM, INC.

Supplemental Information

Year Ended December 31, 2007

1. The System had 280 customers at December 31, 2007.

2. Insurance coverage is as follows:

Auto Policy # GWPKG0044702, ARCH Insurance Company,  
P O Box 1957, Horsham, Pennsylvania, 19044, \$1,000,000 each  
accident, effective dates 05/18/2007 - 05/18/2008.

Surety Bond Policy # 687443377 effective 07/17/2007 to  
7/17/2008 CNA Surety, P O Box 5176, Sioux Falls, South Dakota,  
57117-5176.

Liability Policy # GWPKG0044702, ARCH Insurance Company,  
P O Box 1957, Horsham, Pennsylvania, 19044, \$1,000,000 General  
Aggregate, \$1,000,000 Occurrence, effective 05/18/2007-  
05/18/2008.